

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2015

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**Davis County Community School District
Board of Education and School District Officials
Year ended June 30, 2015**

Name	Title	Term Expires
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Board of Education

Rod Lynch	President	2017
Kenneth Wuthrich	Vice President	2015
Doug Dixon	Board Member	2015
Nancy Hougland	Board Member	2015
Alan Bodkins	Board Member	2017
Josh O'Dell	Board Member	2017
Sheryl Wright	Board Member	2017

School District Officials

Dan Maeder	Superintendent	2015
Betsy Bassett	District Secretary/Treasurer and Business Manager	2015
Rick Lynch	Attorney	Indefinite
Danielle Haindfield	Attorney	Indefinite



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Van Maanen, Sietstra, Meyer & Nikkel, PC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Education
Davis County Community School District
Bloomfield, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District at June 30, 2015, and the respective changes in financial position and where applicable cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 13 to the financial statements, Davis County Community School District adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 12 and 41 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Davis County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014, (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 24, 2015, on our consideration of the Davis County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Davis County Community School District's internal control over financial reporting and compliance.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

December 24, 2015

Davis County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2015 Financial Highlights

General Fund revenues increased from \$12,577,377 in fiscal year 2014 to \$13,029,594 in fiscal year 2015, while General Fund expenditures increased from \$12,049,329 in fiscal year 2014 to \$12,486,968 in fiscal year 2015. The District's General Fund balance increased from \$1,646,985 at the end of fiscal year 2014 to \$2,207,170 at the end of fiscal year 2015, a 34.01 percent increase.

The fiscal year 2015 General Fund revenue increase was primarily attributable to increases in local sources. Expenses increased 2.31 percent in instruction, 6.73 percent in support services and 3.05 percent in other expenditures.

The District has a solvency ratio of 14.99 percent which is up 2.76 percent from fiscal year 2014. Experts recommend a solvency ratio between 5-15 percent. A District can only impact its solvency ratio by either increasing revenues or by reducing expenditures or a combination of both. The 10 percent across-the-board state budget reduction in revenue in October 2009 affected the District's solvency ratio, but it is beginning to rebound as a result of revenue increases in fiscal year 2015 being greater than the expenditure increase. The District continues to use the cash reserve levy to generate revenue to replace the cash reserve that had to be used following the 10 percent across-the-board state budget reduction. The District is nearing its goal to have a 15 percent solvency ratio in order to prepare for potential state or federal budget reductions or cuts that experts say occur approximately every five years.

The District continued to support professional development for implementation of the Iowa Core Curriculum and for improvement in reading, mathematics, science, technology and character education. Going forward, the District will be involved in the many facets of the Teacher Leadership and Compensation System passed by the legislature in fiscal year 2014. The District will also be required to respond to unfunded mandates, such as Early Literacy Implementation rules set forth by the Department of Education, increasing District expenditures as a result. Transportation expenses out of the general fund will continue to have a negative impact on funding required to educate children in the District. This struggle will remain until changes in current state law occur. So long as the District is required to fund mandated programs without additional state funding, the District will have no choice but to levy for local revenue to support a quality education for Davis County children.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements of the District's budget for the year.

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how it has changed. Net position is one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds—not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship differences between the two statements.

The District's governmental funds include the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Fund.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund—school nutrition program.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarships.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2015**

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Currently, one scholarship is held in this fund.

Figure A-1 below provides a summary of the District's net position at June 30, 2015 compared to June 30, 2014.

Figure A-1 Condensed Statement of Net Position (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2014 (Not restated)		2014 (Not restated)		2014 (Not restated)		
	2015		2015		2015		2014-2015
Current and other assets	\$ 11,315	10,430	112	54	11,427	10,484	9.0%
Capital assets	11,382	11,540	351	400	11,733	11,940	-1.7%
Total assets	22,697	21,970	463	454	23,160	22,424	3.3%
Deferred outflows of resources	1,801	-	31	-	1,832	-	#DIV/0!
Long-term liabilities	14,271	8,987	152	-	14,423	8,987	60.5%
Other liabilities	1,748	1,646	18	26	1,766	1,672	5.6%
Total liabilities	16,019	10,633	170	26	16,189	10,659	51.9%
Deferred inflows of resources	6,616	4,703	58	-	6,674	4,703	41.9%
Net position:							
Invested in capital assets, net of related debt	2,066	2,740	351	400	2,417	3,140	-23.0%
Restricted	2,918	2,600	-	-	2,918	2,600	12.2%
Unrestricted	(3,121)	1,294	(85)	28	(3,206)	1,322	-342.5%
Total net position	\$ 1,863	6,634	266	428	2,129	7,062	-69.9%

Financial Analysis of the District as a Whole

The District has strong fund balances and trend data is improving. Experts in school finance recommend a General Fund solvency ratio between 5-15 percent, and the District is at 14.99 percent. Our trend is improving due to General Fund expenditures not exceeding revenues for the last five years. The District has determined needs in several areas, and is carefully utilizing existing balances to improve those areas. These areas include, but are not limited to, increasing student achievement, improving professional development, updating infrastructure needs and maintaining quality staff.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 for governmental activities and business type activities were restated by \$5,994,766 and \$188,732, respectively, to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Figure A-2 shows the change in net position for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-2 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	Year ended June 30, 2014 (Not restated)		Year ended June 30, 2014 (Not restated)		Year ended June 30, 2014 (Not restated)		June 30, 2014-2015
	2015	restated)	2015	restated)	2015	restated)	2014-2015
Revenues:							
Program revenues:							
Charges for service	\$ 1,094	969	271	258	1,365	1,227	11.2%
Operating grants, contributions and restricted interest	2,375	2,222	399	357	2,774	2,579	7.6%
General revenues:							
Property tax	4,724	4,441	-	-	4,724	4,441	6.4%
Local option sales and service tax	1,118	1,045	-	-	1,118	1,045	7.0%
Unrestricted state grants	5,398	5,362	-	-	5,398	5,362	0.7%
Unrestricted investment earnings	15	16	-	-	15	16	-6.3%
Other	97	190	-	-	97	190	-48.9%
Total revenues	14,821	14,245	670	615	15,491	14,860	4.2%
Program expenses:							
Governmental activities:							
Instruction	8,508	8,635	-	-	8,508	8,635	-1.5%
Support services	4,181	4,000	-	-	4,181	4,000	4.5%
Non-instructional programs	-	-	643	641	643	641	0.3%
Other expenses	903	878	-	-	903	878	2.8%
Total expenses	13,592	13,513	643	641	14,235	14,154	0.6%
Change in net position	1,229	732	27	(26)	1,256	706	77.9%
Net position beginning of year, as restated	634	5,902	239	454	873	6,356	-86.3%
Net position end of year	\$ 1,863	6,634	266	428	2,129	7,062	-69.9%

In the 2014-15 school year:

The District used the Physical Plant and Equipment Levy (PEEL) Fund for infrastructure expenses that included a new HVAC system at the administration building, a new air conditioning system in the ICN room at the high school, a new lawn tractor and office furniture. The District continued with its technology purchases due to the increased need in that area that is always changing. Money will continue to be budgeted for technology expenses for years to come.

Sales tax revenues were also used for technology purchases. The District continues to update its fleet of school buses and used sales tax revenue in fiscal year 2015 to purchase one used bus and enter a lease-to-purchase for another used bus. In the fall of 2014 the District used sales tax revenue to purchase 49.73 acres of land at the edge of the Bloomfield city limits. The school board is in the process of developing a plan for a government obligation bond issue that would use said land as a possible site for new high school baseball and softball fields. The 2009 sales tax revenue bonds were refinanced in February 2015 which will save the district approximately \$736,929.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2015**

Sales tax revenues in the amount of \$777,510 were transferred to the Debt Service Fund for the sales tax revenue bond payments as well as \$40,000 for the Rural Economic Development Loan payment.

The following table, A-3, presents the cost of the District's major governmental activities: instruction, support services and other expenses for the year ended June 30, 2015 compared to the year ended June 30, 2014.

Figure A-3						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
	<u>Total Cost of Services</u>		<u>Change</u>	<u>Net Cost of Services</u>		<u>Change</u>
	2014			2014		
	(Not			(Not		
	2015	restated)	2014-2015	2015	restated)	2014-2015
Instruction	\$ 8,508	8,635	-1.5%	5,505	5,894	-6.6%
Support services	4,181	4,000	4.5%	4,178	4,000	4.5%
Other expenses	903	878	2.8%	439	428	2.6%
Totals	\$ 13,592	13,513	0.6%	10,122	10,322	-1.9%

The cost of all governmental activities this year was \$13,592,014. There was an increase in costs associated with support services, mostly due to the addition of the Director of Instruction position, and that position was needed to assist the district through the Teacher Leadership and Compensation system as well as guidance with continued Education Reform.

The portion of the cost financed by users of the District's programs was \$10,122,540.

The net portion of the governmental activities was financed with \$5,842,640 in property and sales tax and \$5,397,790 in state sources.

Business-type Activities

The District's business-type activity is the School Nutrition Fund. Revenues from these activities were comprised of charges for services, federal and state reimbursements and investment income. Revenues in the District's business-type activities increased by \$55,053—up from \$614,576 in fiscal year 2014 to \$669,629 in fiscal year 2015. Expenses increased from \$640,637 in fiscal year 2014 to \$642,968 in fiscal year 2015 for a slight increase of \$2,331.

Financial Analysis of the District Funds

As previously noted, the Davis County Community School District uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements.

Governmental Fund Highlights

The General Fund balance was \$2,207,170, a net increase of \$560,185 from the prior year, or 34.01 percent.

The Debt Service Fund balance was \$1,324,324, a net increase of \$726,747 from the prior year, or 121.62 per cent.

The Statewide Sales, Services, and Use Tax Fund balance was \$826,109, a net decrease of \$824,725 from the prior year, or 49.96 per cent.

The Physical Plant and Equipment Levy Fund balance was \$67,956, a net increase of \$5,748 from the prior year, or 9.24 per cent.

The Management Levy Fund balance was \$323,845, a net increase of \$128,280 from the prior year, or 65.59 per cent.

The Student Activity Fund balance was \$139,300, a net increase of \$7,149 from the prior year, or 5.41 per cent.

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2015**

The fund balance total of all Governmental Funds increased from \$4,285,320 to \$4,888,704. This was an increase of 14.08 percent.

General Fund revenues continue to be affected by adequate and timely supplemental state aid (formerly allowable growth). School Districts have a hard time preparing certified budgets when revenue estimates are unknown. Being able to use the Capital Projects Fund for technology expenses has provided some relief for the General Fund.

Early retirement benefits associated with previous early retirement policies are becoming less of a burden on the Management Fund.

Business-type Highlights

The 2015 fiscal year saw revenues increase more than expenses in the School Nutrition Fund. The Healthy Kids Act continues to have a big influence, but the increased revenue in fiscal year 2015 is a good sign that the District is making a recovery from the "implementation dip" felt in fiscal year 2012.

The USDA's request for districts to increase their lunch and breakfast prices to equal the federal reimbursement rate for free and reduced meals is requiring the District to increase its student meal prices some each year. The District does not expect this to increase revenues drastically because it will basically just rearrange revenues from federal to local revenue.

In June 2014 the District started a Summer Lunch Program, and the same program was done again in June 2015. Meals were served at noon at the high school building. Community volunteers helped transport and serve noon meals at two other locations in the county. The program was very well received and continued until school started again in August.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice for all funds, except component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a modified accrual basis.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget," which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the "unspent (maximum) authorized budget" and pertains only to the General Fund of the District. The maximum authorized budget is the total "spending authority" in the General Fund of the District. The unspent balance of the budgetary concept does not mean the "actual General Fund cash." It is imperative for patrons of District financial information to make this important distinction. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund) or actual financial position (unassigned General Fund balance) of the District.

Capital Asset and Debt Administration

**Figure A-4
Capital Assets, net of Depreciation
(Expressed in Thousands)**

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2015	2014	2015	2014	2015	2014	2014-2015
Land	\$ 281	107	-	-	281	107	162.6%
Buildings	10,268	10,556	-	-	10,268	10,556	-2.7%
Improvements other than buildings	549	602	-	-	549	602	-8.8%
Furniture and equipment	284	275	351	400	635	675	-5.9%
Totals	\$ 11,382	11,540	351	400	11,733	11,940	-1.7%

**Davis County Community School District
Management's Discussion and Analysis
Year Ended June 30, 2015**

By the end of fiscal year 2015, the District had invested \$11,732,511, net of accumulated depreciation, in a broad range of capital assets including land, buildings, athletic facilities, computers, promethean boards, audio-visual equipment and transportation equipment. Of this total, \$11,381,624 was included in governmental activities and \$350,887 was in business type activities.

Long-term Debt

Figure A-5 Outstanding Long-Term Obligations (Expressed in Thousands)			
	Total District		Total Change
	June 30,		June 30,
	2015	2014	2014-2015
Revenue bonds	\$ 9,025	8,615	4.8%
Notes	220	260	0.0%
Bond premiums	201	51	294.1%
Bond discounts	(185)	(125)	48.0%
Lease obligations	55	-	-
Early retirement	5	23	-78.3%
Compensated absences	32	28	14.3%
Net pension liability	4,902	-	-
Net OPEB liability	168	135	24.4%
Totals	\$ 14,423	8,987	60.5%

At year-end, the District had \$14,422,236 in sales tax revenue bond debt and other long-term outstanding debt. This represents an increase from last year due to the refinancing of the 2009 sales tax revenue bonds and the new GASB requirements for the IPERS pension liability. However, the debt associated with early retirement and the Rural Economic Development Loan continues to decrease.

\$380,000 was paid on the principal debt for the high school building project, and a principal amount of \$9,025,000 remains on the 2015 refinanced sales tax revenue bonds.

\$40,000 was paid on the no-interest Rural Economic Development Loan through Southern Iowa Electric Coop. The remaining principal amount is \$220,000. The loan is being repaid \$10,000 quarterly beginning in January 2012. Loan repayment will be completed in October 2020. The loan is being repaid from one cent sales tax funds for Capital Projects expenditures.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future.

- Enrollment: Student numbers at the elementary school building are increasing which is always good, but decisions will need to be made regarding accommodations for the increasing students in that building and as those large classes move on to the middle school and high school.
- Future across-the-board cuts, funding freezes and low supplemental state aid rates (formerly allowable growth)
- Employee contract settlements
- Affordable Care Act: The magnitude of costs associated with the regulations of Health Care Reform is still unknown.
- Potential for future increases in employer share of IPERS
- Funding mechanism for rural school districts' transportation costs that does not directly or indirectly impact funding for the education program
- Planning and preparing for Phase 2 of the high school building project
- Planning and preparing for a new track and football field
- Planning and preparing for a new bus barn
- Planning and preparing for a new baseball field due to loss of the lease where the current field is located
- Upkeep costs for the elementary and middle school buildings
- Requirements of Education Reform

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Betsy Bassett, Board Secretary/Business Manager, Davis County Community School District, 608 South Washington Street, Bloomfield, Iowa 52537-2137.

Basic Financial Statements

Davis County Community School District
Statement of Net Position
June 30, 2015

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and cash equivalents	\$ 5,633,289	67,450	5,700,739
Receivables:			
Property tax:			
Delinquent	99,708	-	99,708
Succeeding year	4,764,752	-	4,764,752
Accounts	78,843	-	78,843
Due from other governments	738,913	16,608	755,521
Inventories	-	28,186	28,186
Capital assets, net of accumulated depreciation	11,381,624	350,887	11,732,511
Total assets	22,697,129	463,131	23,160,260
Deferred Outflows of Resources			
Deferred charge on refunding	800,465	-	800,465
Pension related deferred outflows	1,000,224	31,490	1,031,714
Total deferred outflows of resources	1,800,689	31,490	1,832,179
Liabilities			
Excess of warrants over bank balance	235,708	-	235,708
Accounts payable	237,802	139	237,941
Salaries and benefits payable	1,152,734	8,778	1,161,512
Due to other governments	33,669	-	33,669
Advances from grantors	2,136	-	2,136
Advances from prepaid lunches	-	9,693	9,693
Accrued interest payable	86,190	-	86,190
Long-term liabilities:			
Portion due within one year:			
Early retirement	5,000	-	5,000
Obligations under capital lease	55,134	-	55,134
Revenue bonds	490,000	-	490,000
Notes	40,000	-	40,000
Compensated absences	29,844	2,106	31,950
Portion due after one year:			
Revenue bonds	8,550,618	-	8,550,618
Notes	180,000	-	180,000
Net pension liability	4,752,041	149,607	4,901,648
Net OPEB liability	167,886	-	167,886
Total liabilities	16,018,762	170,323	16,189,085
Deferred Inflows of Resources			
Unavailable property tax revenue	4,764,752	-	4,764,752
Pension related deferred inflows	1,850,756	58,267	1,909,023
Total deferred inflows of resources	6,615,508	58,267	6,673,775
Net Position			
Net investment in capital assets	2,065,872	350,887	2,416,759
Restricted for:			
Management levy purposes	323,845	-	323,845
Physical plant and equipment	67,956	-	67,956
Debt service	1,238,134	-	1,238,134
School infrastructure	826,109	-	826,109
Student activities	139,300	-	139,300
Categorical funding	323,006	-	323,006
Unrestricted	(3,120,674)	(84,856)	(3,205,530)
Total net position	\$ 1,863,548	266,031	2,129,579

See notes to financial statements.

Davis County Community School District
Statement of Activities
Year ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities
Functions/Programs					
Governmental activities:					
Instruction:					
Regular	\$ 5,187,523	736,654	1,207,663	(3,243,206)	-
Special	1,260,333	107,647	662,850	(489,836)	-
Other	2,059,686	249,749	37,434	(1,772,503)	-
	8,507,542	1,094,050	1,907,947	(5,505,545)	-
Support Service:					
Student	250,886	-	-	(250,886)	-
Instructional staff	431,998	-	-	(431,998)	-
Administration	1,611,467	-	-	(1,611,467)	-
Operation and maintenance of plant	1,018,663	-	305	(1,018,358)	-
Transportation	868,223	-	2,688	(865,535)	-
	4,181,237	-	2,993	(4,178,244)	-
Other expenditures:					
Facilities acquisition	12,509	-	-	(12,509)	-
Long-term debt interest	426,242	-	-	(426,242)	-
AEA flowthrough	464,484	-	464,484	-	-
	903,235	-	464,484	(438,751)	-
Total governmental activities	13,592,014	1,094,050	2,375,424	(10,122,540)	-
Business type activities:					
Non-instructional programs:					
Food service operations	642,968	270,516	398,862	-	26,410
Total	\$ 14,234,982	1,364,566	2,774,286	(10,122,540)	26,410
General revenues:					
Property tax levied for:					
General purposes				\$ 4,623,352	-
Capital outlay				101,041	-
Statewide sales, services and use tax				1,118,247	-
Unrestricted state grants				5,397,790	-
Unrestricted investment earnings				14,846	251
Other				49,059	-
Gain (loss) on disposal of assets				11,215	-
Contributions not restricted to specific programs				36,979	-
Total general revenues				11,352,529	251
Change in net position				1,229,989	26,661
Net position beginning of year, as restated				633,559	239,370
Net position end of year				\$ 1,863,548	266,031

See notes to financial statements.

Exhibit C

Davis County Community School District
Balance Sheet
Governmental Funds
June 30, 2015

	General	Debt Service	Capital Projects	Non-Major	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 3,056,833	1,324,324	785,362	466,770	5,633,289
Receivables:					
Property tax:					
Delinquent	91,202	-	2,157	6,349	99,708
Succeeding year	4,411,599	-	103,152	250,001	4,764,752
Accounts	78,843	-	-	-	78,843
Due from other governments	565,048	-	173,865	-	738,913
Total assets	\$ 8,203,525	1,324,324	1,064,536	723,120	11,315,505
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 160,509	-	67,319	9,974	237,802
Excess of warrants issued over bank balance	235,708	-	-	-	235,708
Salaries and benefits payable	1,152,734	-	-	-	1,152,734
Due to other governments	33,669	-	-	-	33,669
Advances from grantors	2,136	-	-	-	2,136
Total liabilities	1,584,756	-	67,319	9,974	1,662,049
Deferred inflows of resources:					
Unavailable revenues:					
Succeeding year property tax	4,411,599	-	103,152	250,001	4,764,752
Total deferred inflows of resources	4,411,599	-	103,152	250,001	4,764,752
Fund balances:					
Restricted for:					
Categorical funding	323,006	-	-	-	323,006
Debt service	-	1,324,324	-	-	1,324,324
Management levy purposes	-	-	-	323,845	323,845
Student activities	-	-	-	139,300	139,300
School infrastructure	-	-	826,109	-	826,109
Physical plant and equipment	-	-	67,956	-	67,956
Unassigned	1,884,164	-	-	-	1,884,164
Total fund balances	2,207,170	1,324,324	894,065	463,145	4,888,704
Total liabilities, deferred inflows of resources and fund balances	\$ 8,203,525	1,324,324	1,064,536	723,120	11,315,505

See notes to financial statements.

**Davis County Community School District
Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
June 30, 2015**

Total fund balances of governmental funds \$ 4,888,704

***Amounts reported for governmental activities in the
Statement of Net Position are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 11,381,624

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (86,190)

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 1,000,224	
Deferred inflows of resources	<u>(1,850,756)</u>	(850,532)

Long-term liabilities, including bonds payable, early retirement, compensated absences, net pension liability and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities consist of:

Revenue bonds payable	(9,025,000.00)	
Notes payable	(220,000.00)	
Obligations under capital lease	(55,134.00)	
Bond discount, net	184,936.00	
Bond premium, net	(200,554.00)	
Deferred charge on refunding, net	800,465.00	
Early retirement	(5,000.00)	
Compensated absences	(29,844.00)	
Net pension liability	(4,752,041.00)	
Other postemployment benefits	<u>(167,886.00)</u>	<u>(13,470,058)</u>

Net position of governmental activities \$ 1,863,548

See notes to financial statements.

Davis County Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2015

	General	Debt Service	Capital Projects	Non-Major	Total
Revenues:					
Local sources:					
Local tax	\$ 4,294,666	-	100,385	299,343	4,694,394
Tuition	844,309	-	-	-	844,309
Other	87,947	6	12,161	248,163	348,277
State sources	6,974,192	-	1,118,953	2,183	8,095,328
Federal sources	828,480	-	-	-	828,480
Total revenues	13,029,594	6	1,231,499	549,689	14,810,788
Expenditures:					
Current:					
Instruction:					
Regular	5,184,035	-	-	18,934	5,202,969
Special	1,277,831	-	-	-	1,277,831
Other	1,802,063	-	-	226,576	2,028,639
	8,263,929	-	-	245,510	8,509,439
Support services:					
Student	261,452	-	-	-	261,452
Instructional staff	313,540	-	82,739	-	396,279
Administration	1,512,079	-	30,094	89,562	1,631,735
Operation and maintenance of plant	925,820	-	44,200	58,220	1,028,240
Transportation	745,664	-	130,000	16,944	892,608
	3,758,555	-	287,033	164,726	4,210,314
Other expenditures:					
Facilities acquisition	-	-	200,774	-	200,774
Long-term debt:					
Principal	-	429,866	-	-	429,866
Interest and fiscal charges	-	414,939	22,908	-	437,847
AEA flowthrough	464,484	-	-	-	464,484
	464,484	844,805	223,682	-	1,532,971
Total expenditures	12,486,968	844,805	510,715	410,236	14,252,724
Excess (deficiency) of revenues over (under) expenditures	542,626	(844,799)	720,784	139,453	558,064
Other financing sources (uses):					
Sale of equipment	13,535	-	-	-	13,535
Proceeds from capital leases	-	-	65,000	-	65,000
Refunding bonds issued	-	9,025,000	-	-	9,025,000
Premium on issuance of bonds	-	163,999	-	-	163,999
Discount on issuance of bonds	-	(72,293)	-	-	(72,293)
Bond issuance costs	-	(57,280)	-	-	(57,280)
Payments to escrow agents for defeasance of debt	-	(9,092,641)	-	-	(9,092,641)
Operating transfers in	4,024	1,630,554	25,793	-	1,660,371
Operating transfers out	-	(25,793)	(1,630,554)	(4,024)	(1,660,371)
Total other financing sources (uses)	17,559	1,571,546	(1,539,761)	(4,024)	45,320
Net change in fund balances	560,185	726,747	(818,977)	135,429	603,384
Fund balances beginning of year, as restated	1,646,985	597,577	1,713,042	327,716	4,285,320
Fund balances end of year	\$ 2,207,170	1,324,324	894,065	463,145	4,888,704

See notes to financial statements.

Davis County Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds to the Statement of Activities
Year ended June 30, 2015

Net change in fund balances - total governmental funds **\$ 603,384**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Position and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 326,860	
Sale of equipment	(13,535)	
Gain (loss) on disposal of assets	11,215	
Depreciation expense	<u>(483,208)</u>	(158,668)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. The amounts in the current year are as follows:

Refunding bonds issued	(9,025,000)	
Payments to escrow agents	9,092,641	
Premium on issuance of bonds	(163,999)	
Discount on issuance of bonds	72,293	
Proceeds from capital leases	(65,000)	
Principal repaid	429,866	
Amortization of deferred refunding charge	(57,176)	
Amortization of bond issuance costs	(12,651)	
Amortization of bond premiums	<u>14,099</u>	285,073

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

124,613

The current year District employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.

738,861

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	(1,304)	
Early retirement benefits	17,943	
Pension expense	(346,668)	
Other postemployment benefits	<u>(33,245)</u>	(363,274)

Change in net position of governmental activities **\$ 1,229,989**

See notes to financial statements.

Davis County Community School District
Statement of Net Position
Proprietary Fund
June 30, 2015

	Enterprise, School Nutrition
Assets	
Current assets:	
Cash and cash equivalents	\$ 67,450
Accounts receivable	16,608
Inventories	28,186
Total current assets	<u>112,244</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	350,887
Total assets	<u><u>463,131</u></u>
Deferred Outflows of Resources	
Pension related deferred outflows	<u>31,490</u>
Liabilities	
Current Liabilities:	
Accounts payable	139
Salaries and benefits payable	8,778
Advances from prepaid lunches	9,693
Compensated absences	2,106
Total current liabilities	<u>20,716</u>
Noncurrent liabilities:	
Net pension liability	149,607
Total liabilities	<u><u>170,323</u></u>
Deferred Inflows of Resources	
Pension related deferred inflows	<u>58,267</u>
Net Position	
Net investment in capital assets	350,887
Unrestricted	<u>(84,856)</u>
Total net position	<u><u>\$ 266,031</u></u>

See notes to financial statements.

Exhibit H

Davis County Community School District
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Fund
Year ended June 30, 2015

	Enterprise, School Nutrition
Operating revenue:	
Local sources:	
Charges for service	\$ 270,516
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	244,123
Benefits	48,511
Purchased services	16,838
Supplies	283,047
Depreciation	50,190
Miscellaneous	259
Total operating expenses	642,968
Operating loss	(372,452)
Non-operating revenues:	
Interest income	251
State sources	5,294
Federal sources	393,568
Total non-operating revenues	399,113
Change in net position	26,661
Net position beginning of year, as restated	239,370
Net position end of year	\$ 266,031

See notes to financial statements.

Exhibit I

Davis County Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2015

	Enterprise, School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 269,297
Cash payments to employees for services	(303,316)
Cash payments to suppliers for goods or services	(254,633)
Net cash used by operating activities	<u>(288,652)</u>
Cash flows from non-capital financing activities:	
State grants received	5,294
Federal grants received	332,088
Net cash provided by non-capital financing activities	<u>337,382</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(1,198)
Net cash used by capital and related financing activities	<u>(1,198)</u>
Cash flows from investing activities:	
Interest on investments	251
Net cash provided by investing activities	<u>251</u>
Net increase in cash and cash equivalents	47,783
Cash and cash equivalents at beginning of year	<u>19,667</u>
Cash and cash equivalents at end of year	<u><u>\$ 67,450</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (372,452)
Adjustments to reconcile operating loss to	
net cash used by operating activities:	
Commodities used	61,480
Depreciation	50,190
(Increase) in inventories	(9,962)
Decrease in accounts receivable	-
(Decrease) in accounts payable	(6,007)
Increase in salaries and benefits payable	1,471
(Decrease) in deferred revenue	(1,219)
Increase in compensated absences	195
(Decrease) in net pension liability	(61,168)
(Increase) in deferred outflows of resources	(9,447)
Increase in deferred inflows of resources	58,267
Net cash used by operating activities	<u><u>\$ (288,652)</u></u>
Reconciliation of cash and cash equivalents at year end to	
specific assets included on Statement of Net Position:	
Current assets:	
Cash and cash equivalents	\$ 67,450
Cash and cash equivalents at year end	<u><u>\$ 67,450</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2015, the District received \$61,480 of federal commodities.

See notes to financial statements.

Exhibit J

Davis County Community School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	<div>Private Purpose Trust</div> <div>Scholarship</div>
Assets	
Cash, cash equivalents and pooled investments	\$ 3,616
Total assets	3,616
Net position	
Reserved for scholarships	\$ 3,616

See notes to financial statements.

Exhibit K

Davis County Community School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year ended June 30, 2015

	Private Purpose Trust
	Scholarship
Additions:	
Local sources:	
Interest on investments	\$ 3
Total additions	3
Deductions:	
Instruction:	
Regular:	
Scholarships awarded	-
Change in net position	3
Net position beginning of year	3,613
Net position end of year	\$ 3,616

See notes to financial statements.

(1) **Summary of Significant Accounting Policies**

Davis County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-K through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bloomfield, Iowa and the predominate agricultural territory in portions of Davis and Van Buren counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Davis County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Davis County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Davis County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's non-fiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, deferred inflows/outflows, fund balance/net position, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

Debt Service Fund: The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The District reports the following non-major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and change in net position. The District's fiduciary fund includes the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted Net Position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2013 assessed property valuations; is for the tax accrual period July 1, 2014 through June 30, 2015 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2014.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Advances - Proceeds which have been received by the District but will be used in a succeeding fiscal year, such as advances from grantors, or prepaid lunch money.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available mean collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consists of succeeding years property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures did not exceed the budgeted amounts.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2015, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2015, the District had investments as follows:

Success Bank Certificate of Deposit	\$	2,605
First Iowa State Bank Certificate of Deposit		3,220
Iowa Schools Joint Investment Trust:		
Diversified Portfolio		4,357
Bankers Trust: ISJIT		
Diversified Portfolio		1,318,202
	\$	<u>1,328,384</u>

The investments in the Iowa School Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa School Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2015, is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 1,630,554
Capital Projects	Debt Service	25,793
General	Special Revenue: Student Activity	4,024
		<u>\$ 1,660,371</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 107,275	174,055	-	281,330
Total capital assets not being depreciated	107,275	174,055	-	281,330
Capital assets being depreciated:				
Buildings	14,623,021	-	-	14,623,021
Improvements other than buildings	1,964,631	14,210	-	1,978,841
Furniture and equipment	1,959,176	138,595	54,333	2,043,438
Total capital assets being depreciated	18,546,828	152,805	54,333	18,645,300
Less accumulated depreciation for:				
Buildings	4,067,350	288,150	-	4,355,500
Improvements other than buildings	1,362,437	67,668	-	1,430,105
Furniture and equipment	1,684,024	127,390	52,013	1,759,401
Total accumulated depreciation	7,113,811	483,208	52,013	7,545,006
Total capital assets being depreciated, net	11,433,017	(330,403)	2,320	11,100,294
Governmental activities capital assets, net	\$ 11,540,292	(156,348)	2,320	11,381,624
Business type activities:				
Furniture and equipment	\$ 644,005	1,198	-	645,203
Less accumulated depreciation	244,126	50,190	-	294,316
Business type activities capital assets, net	\$ 399,879	(48,992)	-	350,887
Depreciation expense was charged to the following functions:				
Governmental activities:				
Instruction:				
Regular			\$	253,489
Special				23,027
Other				31,047
Support services:				
Student				1,030
Instructional staff				35,719
Administration				23,543
Operation and maintenance of plant				4,351
Transportation				111,002
Total depreciation expense - governmental activities			\$	483,208
Business type activities:				
Food service operations			\$	50,190

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows:

	Balance Beginning of Year Restated	Additions	Reductions	Refunded	Balance End of Year	Due Within One Year
Governmental activities:						
Revenue bonds	\$ 8,615,000	9,025,000	380,000	8,235,000	9,025,000	490,000
Revenue bonds discount	(125,294)	(72,293)	(12,651)	-	(184,936)	-
Revenue bonds premium	50,654	163,999	14,099	-	200,554	-
Rural economic development loan	260,000	-	40,000	-	220,000	40,000
Equipment lease	-	65,000	9,866	-	55,134	55,134
Early retirement	22,944	-	17,944	-	5,000	5,000
Compensated absences	28,540	29,844	28,540	-	29,844	29,844
Net pension liability	6,694,937	-	1,942,896	-	4,752,041	-
Net OPEB liability	134,641	33,245	-	-	167,886	-
Total	\$ 15,681,422	9,244,795	2,420,694	8,235,000	14,270,523	619,978
Business type activities:						
Compensated absences	\$ 1,911	2,106	1,911	-	2,106	2,106
Net pension liability	210,775	-	61,168	-	149,607	-
	\$ 212,686	2,106	63,079	-	151,713	-

Revenue Bonds

Details of the District's June 30, 2015 statewide sales, service and use tax revenue bonded indebtedness are as follows:

Refunding Bond Issue of February 10, 2015				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2016	2.00	\$ 490,000	189,227	679,227
2017	2.00	535,000	202,563	737,563
2018	2.00	540,000	191,812	731,812
2019	2.00	545,000	180,963	725,963
2020	2.00	560,000	169,912	729,912
2021	2.00	570,000	158,613	728,613
2022	2.00	585,000	147,062	732,062
2023	2.50	590,000	133,838	723,838
2024	2.75	600,000	118,212	718,212
2025	2.75	620,000	101,438	721,438
2026	2.75	645,000	84,044	729,044
2027	2.50	660,000	66,925	726,925
2028	3.00	675,000	48,550	723,550
2029	2.70	700,000	28,975	728,975
2030	2.75	710,000	9,762	719,762
		\$ 9,025,000	1,831,896	10,856,896

Refunding - February 10, 2015

On February 10, 2015, the District issued \$9,025,000 in revenue bonds to advance refund \$8,235,000 of outstanding revenue bonds dated June 22, 2009. The proceeds of the refunding bonds have been placed in a irrevocable escrow account and have been invested in U.S. Government Obligations which have been certified to be sufficient to pay all principal and interest due on the Series 2009 bonds after July 1, 2015. The new refunding bonds have been added to the appropriate financial statements and schedules. The district remains contingently liable in the remote possibility the account is insufficient to pay the refunding bonds. This advance refunding was undertaken to reduce total debt service payments over the next 15 years by \$862,907 and resulted in an economic gain of \$736,929.

The District has pledged future statewide sales, services and use tax revenues to repay the \$9,025,000 of bonds issued in February, 2015. The bonds were issued for the purpose of refunding the prior revenue bond dated June, 2009. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$10,856,896. For the current year, \$380,000 of principal and \$413,055 of interest was paid on the prior bonds and total statewide sales, services and use tax revenues were \$1,118,247.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$742,913 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

Notes

Details of the District's June 30, 2015 Rural Economic Development loan indebtedness are as follows:

Note Issue of December, 2010					
Year Ending June 30,	Interest Rates	Principal	Interest	Total	
2016	0.00%	\$ 40,000	-	40,000	
2017	0.00%	40,000	-	40,000	
2018	0.00%	40,000	-	40,000	
2019	0.00%	40,000	-	40,000	
2020	0.00%	40,000	-	40,000	
2021	0.00%	20,000	-	20,000	
Total		\$ 220,000	-	220,000	

Capital Lease

The District entered into a capital lease arrangement for the purchase of a bus. The following is a schedule of the future minimum payments required under the lease together with their present value as of June 30, 2015:

Year Ending June 30,	Hoglund Bus Lease	
	2015	Total
2016	\$ 56,512	56,512
Total minimum lease payments	56,512	56,512
Less amount representing interest	1,378	1,378
Present value of minimum lease payments	\$ 55,134	55,134

(6) **Pension Plan**

Pension Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first.. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In the fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the District contributed 8.93 percent for a total rate of 14.88 percent.

The District's contributions to IPERS for the year ended June 30, 2015 were \$762,122.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the District reported a liability of \$4,901,648 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the District's proportion was 0.121116 percent, which was a decrease of 0.000850 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$369,929. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 53,271	-
Changes of assumptions	216,321	-
Net difference between projected and actual earnings on pension plan investments	-	1,869,347
Changes in proportion and differences between District contributions and proportionate share of contributions	-	39,676
District contributions subsequent to the measurement date	762,122	-
Total	<u>\$ 1,031,714</u>	<u>1,909,023</u>

\$762,122 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June, 30	
2016	\$ (413,618)
2017	(413,618)
2018	(413,618)
2019	(413,618)
2020	15,041
	<u>\$ (1,639,431)</u>

There are no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent
Salary increases (effective June 30, 2014)	4.00 percent, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50 percent per annum, compounded annually, net pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on the pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher 8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the net pension liability	\$ 9,261,526	\$ 4,901,648	\$ 1,221,459

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan - At June 30, 2015, the District reported payables to the defined benefit pension plan of \$3,405 for legally required employer contributions and \$2,268 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

(7) Other Post-Employment Benefits (OPEB)

Plan Description - The District operates a retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 54 active and 8 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is purchased through an outside provider. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2015, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 48,799
Interest on net OPEB obligation	3,366
Adjustment to annual required contribution	(9,677)
Annual OPEB cost	42,488
Contributions made	(9,243)
Increase in net OPEB obligation	33,245
Net OPEB obligation beginning of year	134,641
Net OPEB obligation end of year	\$ 167,886

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2015.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015, are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 33,731	29.51%	\$ 48,086
June 30, 2012	36,529	33.03%	72,550
June 30, 2013	46,524	32.88%	103,775
June 30, 2014	44,218	30.20%	134,641
June 30, 2015	42,488	21.80%	167,866

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2015, the actuarial accrued liability was \$324,366, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$324,366. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$8,200,000, and the ratio of the UAAL to covered payroll was 4.0%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumption includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%. The ultimate medical trend rate is 6%.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

(8) Termination Benefits

The District has offered a voluntary early retirement plan for certified employees in prior years; however, the plan has not been offered since the 2011-2012 year. Eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must have completed an application which was required to be approved by the Board of Education. An eligible employee in the early retirement program may have elected to receive either option 1 or option 2. The option elected was stated in the application. Option 1 was a \$20,000 cash benefit payable over four (4) annual installments of \$5,000 each. Option 2 was a \$20,000 cash benefit payable over five (5) annual installments of \$4,000 each. Early retirement benefits paid during the year ended June 30, 2015, totaled \$17,944.

(9) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$464,484 for the year ended June 30, 2015, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Related Party Transactions

The District had business transactions totaling \$22,499 between the District and District officials during the year ended June 30, 2015.

(12) Commitments and Contingencies

Two former employees have been charged with criminal charges and found guilty. One conviction was later overturned by the Iowa Supreme Court. The District had been named as a defendant in a related civil complaint; however, those charges were dismissed on December 15, 2014. This decision has been appealed; however, any potential judgment is not expected to exceed insurance coverage and it is the opinion of management in consultation with legal counsel that the final settlement of this matter will not result in a material adverse effect on the financial position of the District.

(13) Accounting Change/Restatement

The Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position for governmental and business type activities were restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	Governmental Activities	Business type Activities
Net position June 30, 2014, as previously reported	\$ 6,634,037	428,102
Adjustment to prior year PPEL Fund receivables	339	-
Adjustment to prior year General Fund receivables	(6,051)	-
Net pension liability at June 30, 2014	(6,694,937)	(210,775)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	700,171	22,043
Net position July 1, 2014, as restated:	<u>\$ 633,559</u>	<u>239,370</u>

Required Supplementary Information

Davis County Community School District
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances
Budget and Actual - All Governmental Funds and Proprietary Fund
Required Supplementary Information
Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Revenues:						
Local sources	\$ 5,886,980	270,767	6,157,747	5,962,712	5,962,712	195,035
State sources	8,095,328	5,294	8,100,622	8,192,372	8,192,372	(91,750)
Federal sources	828,480	393,568	1,222,048	955,000	955,000	267,048
Total revenues	14,810,788	669,629	15,480,417	15,110,084	15,110,084	370,333
Expenditures/Expenses:						
Instruction	8,509,439	-	8,509,439	8,920,000	8,920,000	410,561
Support services	4,210,314	-	4,210,314	4,515,700	4,627,700	417,386
Non-instructional programs	-	642,968	642,968	650,000	700,000	57,032
Other expenditures	1,532,971	-	1,532,971	1,523,334	10,955,459	9,422,488
Total expenditures/expenses	14,252,724	642,968	14,895,692	15,609,034	25,203,159	10,307,467
Excess (deficiency) of revenues over (under) expenditures/expenses	558,064	26,661	584,725	(498,950)	(10,093,075)	(10,677,800)
Other financing sources, net	45,320	-	45,320	-	-	(45,320)
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	603,384	26,661	630,045	(498,950)	(10,093,075)	(10,723,120)
Balances beginning of year, as restated	4,285,320	239,370	4,524,690	4,489,484	4,489,484	(35,206)
Balances end of year	\$ 4,888,704	266,031	5,154,735	3,990,534	(5,603,591)	(10,758,326)

See accompanying independent auditor's report.

Davis County Community School District
Notes to Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's Budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$9,594,125.

During the year ended June 30, 2015, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Davis County Community School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Iowa Public Employee's Retirement System
Last Fiscal Year* (In Thousands)
Required Supplementary Information

	2015
District's proportion of the net pension liability	0.121116%
District's proportion of the net pension pension liability	\$ 4,902
District's covered-employee payroll	\$ 7,873
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.26%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

*The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Davis County Community School District
Schedule of District Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years (In Thousands)
Required Supplementary Information

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutorily required contribution	\$ 762	722	684	621	512	507	462	435	394	383
Contributions in relation to the statutorily required contribution	(762)	(722)	(684)	(621)	(512)	(507)	(462)	(435)	(394)	(383)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$ 8,273	7,873	7,711	7,582	7,283	7,516	7,148	6,893	6,458	6,309
Contributions as a percentage of covered-employee payroll	9.21%	9.17%	8.87%	8.19%	7.03%	6.75%	6.46%	6.31%	6.10%	6.07%

See accompanying independent auditor's report.

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implements the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Davis County Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information
Year ended June 30, 2015

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2008	\$ -	345,459	345,459	0.0%	7,500,000	4.6%
2012	July 1, 2008	-	317,410	317,410	0.0%	7,600,000	4.2%
2013	July 1, 2012	-	354,957	354,957	0.0%	7,900,000	4.5%
2014	July 1, 2012	-	340,152	340,152	0.0%	7,900,000	4.3%
2015	July 1, 2012	-	324,366	324,366	0.0%	8,200,000	4.0%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

Supplementary Information

Schedule 1

Davis County Community School District
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 317,496	149,274	466,770
Receivables:			
Property tax:			
Delinquent	6,349	-	6,349
Succeeding year	250,001	-	250,001
Total assets	\$ 573,846	149,274	723,120
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ -	9,974	9,974
Total liabilities	-	9,974	9,974
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	250,001	-	250,001
Total deferred inflows of resources	250,001	-	250,001
Fund Balances:			
Restricted for:			
Management levy purposes	323,845	-	323,845
Student activities	-	139,300	139,300
Total fund balances	323,845	139,300	463,145
Total liabilities, deferred inflows of resources and fund balances	\$ 573,846	149,274	723,120

See accompanying independent auditor's report.

Schedule 2

Davis County Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year ended June 30, 2015

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 299,343	-	299,343
Other	8,994	239,169	248,163
State sources	2,183	-	2,183
Total revenues	310,520	239,169	549,689
Expenditures:			
Current:			
Instruction:			
Regular	18,934	-	18,934
Other	-	226,576	226,576
Support services:			
Administration	89,562	-	89,562
Operation and maintenance of plant	56,800	1,420	58,220
Transportation	16,944	-	16,944
Total expenditures	182,240	227,996	410,236
Excess (deficiency) of revenues over (under) expenditures	128,280	11,173	139,453
Other financing sources (uses):			
Operating transfers in (out)	-	(4,024)	(4,024)
Change in fund balances	128,280	7,149	135,429
Fund balances beginning of year	195,565	132,151	327,716
Fund balances end of year	\$ 323,845	139,300	463,145

See accompanying independent auditor's report.

Schedule 3

Davis County Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Inter-Fund Transfers	Balance End of Year
Senior High					
Yearbook	\$ 10,419	8,135	7,650	-	10,904
Concessions	1,700	26,676	19,193	-	9,183
Mustang Media	1,380	-	-	-	1,380
Mustang Pride Day	50	50	41	-	59
Athletics	3,774	61,812	54,404	-	11,182
Football	5,530	14,895	17,546	-	2,879
Baseball	2,175	1,460	1,782	-	1,853
Boys' Track	1,842	811	1,117	-	1,536
Wrestling	2,484	4,035	3,165	-	3,354
Cross Country	3,678	2,767	4,158	-	2,287
Girls' Basketball	2,229	310	1,354	-	1,185
Boys' Basketball	3,507	2,569	4,162	-	1,914
Girls' Softball	4,209	14,430	10,988	-	7,651
Girls' Track	4,453	3,008	4,351	-	3,110
Girls' Volleyball	2,406	-	1,402	-	1,004
Instrumental Music	4,172	9,004	8,195	-	4,981
Soda	1,308	1,804	1,578	-	1,534
Vocal Music	4,794	279	913	-	4,160
Speech	65	623	209	-	479
3 Act Play	3,105	3,360	1,714	-	4,751
Future Farmers of America	11,642	40,939	38,230	-	14,351
Quiz Bowl	23	-	-	-	23
National Honor Society	835	484	421	-	898
Cheerleading	11,523	5,256	8,588	-	8,191
Spanish Club	925	-	-	-	925
Student Council	1,151	455	431	-	1,175
Art Club	1,130	4,517	2,694	-	2,953
Girls' Tennis	327	-	-	-	327
Boys' Tennis	802	583	420	-	965
Class of 2014	405	-	310	-	95
Class of 2015	1,393	1,129	2,227	-	295
Class of 2016	1,498	6,531	4,552	-	3,477
Class of 2017	869	492	120	-	1,241
Class of 2018	-	1,024	120	-	904
Future Educators of America	308	959	105	-	1,162
Girls' Golf	1,767	195	284	-	1,678
Octagon Club	30	314	-	-	344
High School Academics	506	-	364	-	142
Boys' Golf	1,849	101	300	-	1,650
Subtotal	100,263	219,007	203,088	-	116,182

Schedule 3

Davis County Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2015

Account	Balance Beginning of Year	Revenues	Expenditures	Inter-Fund Transfers	Balance End of Year
Middle School					
Athletics	6,283	10,617	14,097	-	2,803
Vocal Music	6,261	1,048	870	-	6,439
Instrumental Music	882	-	256	-	626
Student Council	854	2,248	937	-	2,165
Yearbook	52	2,444	2,125	-	371
7th/8th Football	3,100	2,035	3,110	-	2,025
7th/8th Girls Basketball	5	-	-	-	5
7th/8th Boys' Basketball	61	-	-	-	61
Cross Country	161	-	-	-	161
Girls' Track	1,217	314	-	-	1,531
8th Volleyball	29	-	-	-	29
Wrestling	28	-	-	-	28
Middle School Academics	5,993	-	506	-	5,487
Gifted/Talented	4,024	-	-	(4,024)	-
Subtotal	28,950	18,706	21,901	(4,024)	21,731
Bloomfield Elementary					
Academics	2,849	465	2,033	-	1,281
Home School	89	991	974	-	106
Subtotal	2,938	1,456	3,007	-	1,387
Total	\$ 132,151	239,169	227,996	(4,024)	139,300

See accompanying independent auditor's report.

Schedule 4

Davis County Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 718,105	67,257	785,362
Receivables:			
Property tax:			
Delinquent	-	2,157	2,157
Succeeding year	-	103,152	103,152
Due from other governments	173,865	-	173,865
Total assets	\$ 891,970	172,566	1,064,536
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 65,861	1,458	67,319
Total liabilities	65,861	1,458	67,319
Deferred inflows of resources:			
Unavailable revenues:			
Succeeding year property tax	-	103,152	103,152
Total deferred inflows of resources	-	103,152	103,152
Fund balances:			
Restricted for:			
School infrastructure	826,109	-	826,109
Physical plant and equipment	-	67,956	67,956
Total fund balances	826,109	67,956	894,065
Total liabilities, deferred inflows of resources and fund balances	\$ 891,970	172,566	1,064,536

See accompanying independent auditor's report.

Schedule 5

Davis County Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Capital Project Accounts
Year ended June 30, 2015

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	100,385	100,385
Other	4,406	7,755	12,161
State sources	1,118,247	706	1,118,953
Total revenues	1,122,653	108,846	1,231,499
Expenditures:			
Support services:			
Instructional staff	49,601	33,138	82,739
Administration	30,094	-	30,094
Operation and maintenance of plant	-	44,200	44,200
Transportation	130,000	-	130,000
Other expenditures:			
Facilities acquisition	175,014	25,760	200,774
Long-term debt:			
Interest and fiscal charges	22,908	-	22,908
Total expenditures	407,617	103,098	510,715
Excess (deficiency) of revenues over (under) expenditures	715,036	5,748	720,784
Other financing sources (uses)			
Proceeds from capital leases	65,000	-	65,000
Operating transfers in (out)	(1,604,761)	-	(1,604,761)
Total other financing sources (uses)	(1,539,761)	-	(1,539,761)
Change in fund balances	(824,725)	5,748	(818,977)
Fund balances beginning of year, as restated	1,650,834	62,208	1,713,042
Fund balances end of year	\$ 826,109	67,956	894,065

See accompanying independent auditor's report.

Davis County Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

	Modified Accrual Basis									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues:										
Local sources:										
Local tax	\$ 4,694,394	4,440,736	5,218,900	4,514,183	4,212,154	3,982,845	3,912,580	3,661,556	3,759,205	3,692,023
Tuition	844,309	703,278	646,647	648,017	556,696	426,341	450,219	476,889	523,010	600,186
Other	348,277	403,130	329,808	554,943	590,253	458,279	530,792	467,508	445,742	403,411
State sources	8,095,328	7,917,330	6,577,367	6,607,731	6,369,502	5,498,043	6,539,708	5,914,312	5,810,933	5,515,711
Federal sources	828,480	714,360	652,416	811,184	1,011,849	1,461,585	761,386	690,483	786,793	1,029,880
Total	\$ 14,810,788	14,178,834	13,425,138	13,136,058	12,740,454	11,827,093	12,194,685	11,210,748	11,325,683	11,241,211
Expenditures:										
Instruction:										
Regular	\$ 5,202,969	5,365,122	5,991,325	5,728,254	5,581,992	5,908,935	5,670,214	5,323,249	5,067,509	4,937,473
Special	1,277,831	1,150,259	1,446,052	1,610,050	1,275,892	1,457,209	1,430,994	1,393,701	1,234,633	1,385,202
Other	2,028,639	1,891,856	728,521	835,838	848,494	586,024	474,335	457,030	426,860	437,152
Support services:										
Student	261,452	255,205	269,932	281,174	270,702	265,204	261,647	300,165	283,987	257,427
Instructional staff	396,279	348,333	273,314	211,987	166,077	217,841	180,304	150,229	161,232	126,382
Administration	1,631,735	1,522,048	1,461,693	1,458,682	1,542,486	1,436,589	1,432,204	1,474,623	1,413,251	1,436,205
Operation and maintenance of plant	1,028,240	991,232	954,957	905,301	912,164	996,407	718,539	723,406	691,604	619,083
Transportation	892,608	827,607	789,594	756,157	670,746	785,356	789,870	919,032	805,241	709,096
Food service operations	-	-	-	-	-	-	-	-	-	3,690
Other expenditures:										
Facilities acquisition	200,774	87,660	73,366	119,190	3,344,398	5,521,775	793,262	252,576	363,879	684,979
Long-term debt:										
Principal	429,866	405,000	320,000	285,000	170,000	-	255,000	250,000	245,000	245,000
Interest and other charges	437,847	431,318	445,830	458,093	468,630	248,108	172,939	14,527	20,138	25,620
AEA flowthrough	464,484	450,754	430,125	417,367	460,092	456,463	422,045	395,919	371,339	355,258
Total	\$ 14,252,724	13,726,394	13,184,709	13,067,093	15,711,673	17,879,911	12,601,353	11,654,457	11,084,673	11,222,567

See accompanying independent auditor's report.

Schedule 7

Davis County Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 15	\$ 64,504
National School Lunch Program	10.555	FY 15	293,355
Summer Food Service Program For Children	10.559	FY 15	35,709
			<u>393,568</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY 15	<u>468,212</u>
Career and Technical Education - Basic Grants to States	84.048	FY 15	<u>33,281</u>
Advanced Placement Program	84.330	FY 15	<u>271</u>
Rural Education Achievement Program	84.358	FY 15	<u>23,032</u>
Improving Teacher Quality State Grants	84.367	FY 15	<u>77,005</u>
Grants for State Assessments and Related Activities	84.369	FY 15	<u>6,065</u>
Area Education Agency:			
Special Education - Grants to States	84.027	FY 15	<u>56,557</u>
University of Northern Iowa:			
ARRA - State Fiscal Stabilization Fund (SFSF)			
Investing In Innovation, Recovery Act	84.396	FY 15	<u>1,430</u>
U.S. Department of Homeland Security:			
Iowa Department of Education:			
Emergency Management Performance Grants	97.042	FY 15	<u>305</u>
Total			<u>\$ 1,059,726</u>

See Notes to Schedule of Expenditures of Federal Awards.

Davis County Community School District
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the Davis County Community School District for the year ended June 30, 2015. All federal financial assistance received directly from federal agencies as well as federal financial assistance passed through other government agencies is included in the schedule. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of states, Local Governments and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Significant Accounting Policies

For governmental funds, in accordance with the modified accrual basis of accounting, revenue from federal grants is recognized when they become both measureable and available. For proprietary funds, in accordance with the accrued basis of accounting, revenues from federal grants are recognized in the period they are earned. Expenditures of federal awards are recognized in the accounting period when the liability is incurred.

Note 3. Noncash Assistance

The schedule includes federal awards in the form of noncash assistance (commodities) received during the year in the amount of \$61,480 related to USDA Commodities grants provided by the U.S. Department of Agriculture passed through the Iowa Department of Education, CFDA No. 10.555.

Note 4. Federal Loan Outstanding

The District participates in the following loan program for which payments are not required to be included on the schedule of expenditures of federal awards.

<u>CFDA #</u>	<u>Program</u>	<u>Outstanding Balance</u> <u>As of June 30, 2015</u>
10.854	Rural Economic Development Loan	\$220,000



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

To the Board of Education of
Davis County Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Davis County Community School District as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Davis County Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Davis County Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are described in Part IV of the Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Davis County Community School District's Responses to Findings

Davis County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Davis County Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

December 24, 2015



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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133

To the Board of Education of Davis County Community School District:

Report on Compliance for Each Major Federal Program

We have audited Davis County Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. Davis County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Davis County Community School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Davis County Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Davis County Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of Davis County Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Davis County Community School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to

test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Van Maanen, Sietstra, Meyer & Nikkel PC

Van Maanen, Sietstra, Meyer & Nikkel, PC
Certified Public Accountants

December 24, 2015

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Clustered Programs:
 - CFDA Number 10.553 – School Breakfast Program
 - CFDA Number 10.555 – National School Lunch Program
 - CFDA Number 10.559 – Summer Food Service Program for Children
 - CFDA Number 84.010 – Title I Grants to Local Educational Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Davis County Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

Davis County Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-15 Certified Budget - Expenditures for the year ended June 30, 2015, did not exceed the amended certified budget amounts.
- IV-B-15 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-15 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-15 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Rick Lynch, Brother to Board Member Rod Lynch Lynch Law Office	Legal Services	\$9,954
Doug Dixon, Board Member Mind's Ear Music	Services	880
Kyle Graves, Son of Principal Jeff Graves	Services	5,291
Preston Roberts, Cousin of Support Services Director Dan Roberts	Services	1,970
Clay Roberts, Son of Support Services Director Dan Roberts	Services	4,124
Josh O'Dell, Board Member	Services	140
Josh Sinnott, Brother-in-law of Board Member Josh O'Dell	Services	140

Recommendation - The District may want to consult legal counsel to determine disposition whether any of these transactions are in violation of the Code of Iowa.

Response - We will consider the need to consult with legal counsel.

Conclusion - Response accepted.

- IV-E-15 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-15 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

Davis County Community School District
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

- IV-G-15 Certified Enrollment – No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- IV-H-15 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-15 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-15 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-15 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.
- IV-L-15 Statewide Sales, Services and Use Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2015, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	1,650,834
Revenues/transfers in:			
Sales tax revenues	\$	1,118,247	
Other local revenues		4,406	
Proceeds from capital leases		65,000	
Transfers from other funds		25,793	1,213,446
			<u>2,864,280</u>
Expenditures/transfers out:			
School infrastructure construction		175,014	
Equipment		209,695	
Interest and fiscal charges		22,908	
Transfers to other funds:			
Debt service funds		1,630,554	2,038,171
			<u>2,038,171</u>
Ending balance		\$	<u>826,109</u>

For the year ended June 30, 2015, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.